

TAX BENEFITS FOR INDIVIDUALS PERFORMING SERVICES
IN CERTAIN HAZARDOUS DUTY AREAS

FEBRUARY 29, 1996.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means,
submitted the following

REPORT

[To accompany H.R. 2778]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 2778) to provide that members of the Armed Forces performing services for the peacekeeping effort in the Republic of Bosnia and Herzegovina shall be entitled to certain tax benefits in the same manner as if such services were performed in a combat zone, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

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The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SECTION 1. TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN CERTAIN HAZARDOUS DUTY AREAS.

(a) **GENERAL RULE.**—For purposes of the following provisions of the Internal Revenue Code of 1986, a qualified hazardous duty area shall be treated in the same manner as if it were a combat zone (as determined under section 112 of such Code):

(1) Section 2(a)(3) (relating to special rule where deceased spouse was in missing status).

(2) Section 112 (relating to the exclusion of certain combat pay of members of the Armed Forces).

(3) Section 692 (relating to income taxes of members of Armed Forces on death).

(4) Section 2201 (relating to members of the Armed Forces dying in combat zone or by reason of combat-zone-incurred wounds, etc.).

(5) Section 340(a)(1) (defining wages relating to combat pay for members of the Armed Forces).

(6) Section 4253(d) (relating to the taxation of phone service originating from a combat zone from members of the Armed Forces).

(7) Section 6013(f)(1) (relating to joint return where individual is in missing status).

(8) Section 7508 (relating to time for performing certain acts postponed by reason of service in combat zone).

(b) **QUALIFIED HAZARDOUS DUTY AREA.**—For purposes of this section, the term “qualified hazardous duty area” means Bosnia and Herzegovina, Croatia, or Macedonia, if as of the date of the enactment of this section any member of the Armed Forces of the United States is entitled to special pay under section 310 of title 37, United States Code (relating to special pay; duty subject to hostile fire or imminent danger) for services performed in such country. Such term includes any such country only during the period such entitlement is in effect. Solely for purposes of applying section 7508 of the Internal Revenue Code of 1986, in the case of an individual who is performing services as part of Operation Joint Endeavor outside the United States while deployed away from such individual's permanent duty station, the term “qualified hazardous duty area” includes, during the period for which such entitlement is in effect, any area in which such services are performed.

(c) **EXCLUSION OF COMBAT PAY FROM WITHHOLDING LIMITED TO AMOUNT EXCLUDABLE FROM GROSS INCOME.**—Paragraph (1) of section 3401(a) of the Internal Revenue Code of 1986 (defining wages) is amended by inserting before the semicolon the following: “to the extent remuneration for such service is excludable from gross income under such section”.

(d) **INCREASE IN COMBAT PAY EXCLUSION FOR OFFICERS TO HIGHEST AMOUNT APPLICABLE TO ENLISTED PERSONNEL.**—

(1) **IN GENERAL.**—Subsection (b) of section 112 of such Code (relating to commissioned officers) is amended by striking “\$500” and inserting “the maximum enlisted amount”.

(2) **MAXIMUM ENLISTED AMOUNT.**—Subsection (c) of section 112 of such Code (relating to definitions) is amended by adding at the end the following new paragraph:

“(5) The term ‘maximum enlisted amount’ means, for any month, the sum of—

“(A) the highest rate of basic pay payable for such month to any enlisted member of the Armed Forces of the United States at the highest pay grade applicable to enlisted members, and

“(B) in the case of an officer entitled to special pay under section 310 of title 37, United States Code, for such month, the amount of such special pay payable to such officer for such month.”

(e) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the provisions of and amendments made by this section shall take effect on November 21, 1995.

(2) **WITHHOLDING.**—Subsection (a)(5) and the amendment made by subsection (c) shall apply to remuneration paid after the date of the enactment of this Act.

SEC. 2. EXTENSION OF INTERNAL REVENUE SERVICE USER FEES.

Subsection (c) of section 10511 of the Revenue Act of 1987 is amended by striking “October 1, 2000” and by inserting “October 1, 2003”.

Amend the title so as to read:

A bill to provide that members of the Armed Forces performing services for the peacekeeping efforts in Bosnia and Herzegovina, Croatia, and Macedonia shall be entitled to tax benefits in the same manner as if such services were performed in a combat zone, and for other purposes.

I. INTRODUCTION

A. PURPOSE AND SUMMARY

H.R. 2778, as amended: (1) provides that service in a qualified hazardous duty area (Bosnia and Herzegovina, Croatia, or Macedonia) is to be treated in the same manner as if it were a combat zone; (2) makes the suspension of time provisions of Code sec. 7508 applicable to other Operation Joint Endeavor personnel; (3) increases the dollar value of the officer combat pay exclusion from the present-law \$500 per month limit to the highest rate of pay applicable to enlisted personnel plus the amount of hostile fire/imminent danger pay which the officer receives; and (4) extends IRS user fees for three additional years (until October 1, 2003) as a revenue offset to the other provisions.

B. BACKGROUND AND NEED FOR LEGISLATION

The bill, as amended, is intended to treat service by United States Armed Forces (and support) personnel in Bosnia and Herzegovina, Croatia, or Macedonia in the same manner as if it were combat zone service for purposes of the Internal Revenue Code as long as the personnel are entitled to receive hostile fire/imminent danger pay for services in such country. Members of the Armed Forces are in Bosnia and Herzegovina and Croatia as part of "Operation Joint Endeavor" (the NATO operation) and in Macedonia as part of "Operation Able Sentry" (the United Nations operation). The bill, as amended, also makes the suspension of time provisions of Code sec. 7508 applicable to other Operation Joint Endeavor personnel.

In addition, the bill, as amended, modifies the present-law exclusion from income for officer combat pay from a maximum of \$500 per month to the highest rate of pay for enlisted personnel plus the amount of hostile fire/imminent danger pay which the officer receives. Finally, the bill, as amended, extended IRS user fees for three additional years (until October 1, 2003) as a revenue offset to the other provisions in order to make the bill deficit neutral.

C. LEGISLATIVE HISTORY

H.R. 2778 was introduced by Mr. Bunning on December 14, 1995, and was amended by the Committee in a markup on February 28, 1996. An amendment in the nature of a substitute (offered by Chairman Archer and Mr. Gibbons) was adopted by a voice vote. The bill, as amended, was ordered favorably reported by a voice vote on February 28, 1996.

II. EXPLANATION OF THE BILL

PRESENT LAW

General time limits for filing tax returns

Present law provides that individuals generally must file their Federal income tax returns by April 15 of the year following the close of a taxable year (sec. 6072). Present law also provides that the Secretary may grant reasonable extensions of time for filing such returns (sec. 6081). Treasury regulations provide an additional automatic two-month extension (until June 15 for calendar-year individuals) for United States citizens and residents in military or naval service on duty outside the United States (Treas. Reg. sec. 1.6081-5(a)(6)). No action is necessary to apply for this extension. This extension applies to both filing returns and paying the tax due.

Treasury regulations also provide, upon application on the proper form, an automatic four-month extension (until August 15 for calendar-year individuals) for any individual properly filing that form (Treas. Reg. sec. 1.6081-4T).

In general, individuals must make quarterly estimated tax payments by April 15, June 15, September 15, and January 15 of the following taxable year. Wage withholding is considered to be a payment of estimated taxes.

Suspension of time periods

In general, present law suspends the period of time for performing various acts under the Internal Revenue Code, such as filing tax returns, paying taxes, or filing a claim for credit or refund of tax, for any individual serving in the Armed Forces of the United States in an area designated as a "combat zone" during the period of combatant activities (sec. 7508). An individual who becomes a prisoner of war is considered to continue in active service and is therefore also eligible for these suspension of time provisions. The suspension of time also applies to an individual serving in support of such Armed Forces in the combat zone, such as Red Cross personnel, accredited correspondents, and civilian personnel acting under the direction of the Armed Forces in support of those Forces. The designation of a combat zone must be made by the President in an Executive Order. The President also designates the period of combatant activities in the combat zone (the starting date and the termination date of combat).

The suspension of time encompasses the period of service in the combat zone during the period of combatant activities in the zone. In addition, it encompasses any time of continuous hospitalization resulting from injury received in the combat zone¹ or time in missing in action status, plus the next 180 days.

The suspension of time applies to the following acts:

¹ Two special rules apply to continuous hospitalization inside the United States. First, the suspension of time provisions based on continuous hospitalization inside the United States are applicable only to the hospitalized individual; they are not applicable to the spouse of such individual. Second, in no event do the suspension of time provisions based on continuous hospitalization inside the United States extend beyond five years from the date the individual returns to the United States. These two special rules do not apply to continuous hospitalization outside the United States.

- (1) Filing any return of income, estate, or gift tax (except employment and withholding taxes);
- (2) Payment of any income, estate, or gift tax (except employment and withholding taxes);
- (3) Filing a petition with the Tax Court for redetermination of a deficiency, or for review of a decision rendered by the Tax Court;
- (4) Allowance of a credit or refund of any tax;
- (5) Filing a claim for credit or refund of any tax;
- (6) Bringing suit upon any such claim for credit or refund;
- (7) Assessment of any tax;
- (8) Giving or making any notice or demand for the payment of any tax, or with respect to any liability to the United States in respect of any tax;
- (9) Collection of the amount of any liability in respect of any tax;
- (10) Bringing suit by the United States in respect of any liability in respect of any tax; and
- (11) Any other act required or permitted under the internal revenue laws specified in regulations prescribed under section 7508 by the Secretary of the Treasury.

Individuals may, if they choose, perform any of these acts during the period of suspension.

Spouses of qualifying individuals are entitled to the same suspension of time, except that the spouse is ineligible for this suspension for any taxable year beginning more than two years after the date of termination of combatant activities in the combat zone.

Exclusion for combat pay

Gross income does not include certain combat pay of members of the Armed Forces (sec. 112). If enlisted personnel serve in a combat zone during any part of any month, military pay for that month is excluded from gross income. In addition, if enlisted personnel are hospitalized as a result of injuries, wounds, or disease incurred in a combat zone, military pay for that month is also excluded from gross income; this exclusion is limited, however, to hospitalization during any part of any month beginning not more than two years after the end of combat in the zone. In the case of commissioned officers, these exclusions from income are limited to \$500 per month of military pay.

Income tax withholding does not apply to military pay for any month in which an employee (whether enlisted personnel or commissioned officer) is entitled to the exclusion from income for combat pay (sec. 3401(a)(1)).

Exemption from tax upon death in a combat zone

An individual in active service as a member of the Armed Forces who dies while serving in a combat zone (or as a result of wounds, disease, or injury received while serving in a combat zone) is not subject to income tax for the year of death (as well as for any prior taxable year ending on or after the first day the individual served in the combat zone) (sec. 692). Special computational rules apply in the case of joint returns. A reduction in estate taxes is also pro-

vided with respect to individuals dying under these circumstances (sec. 2201).

Special rules permit the filing of a joint return where a spouse is in missing status as a result of service in a combat zone (sec. 6013(f)(1)). Special rules for determining surviving spouse status apply where the deceased spouse was in missing status as a result of service in a combat zone (sec. 2(a)(3)).

Exemption from telephone excise tax

The telephone excise tax is not imposed on “any toll telephone service” that originates in a combat zone (sec. 4253(d)).

Operation Desert Storm: Executive Order designating Persian Gulf Area as a combat zone

On January 21, 1991, President Bush signed Executive Order 12744, designating the Persian Gulf Area as a combat zone. This designation was retroactive to January 17, 1991, the date combat commenced in that area, and continues in effect until terminated by another Executive Order. An Executive Order terminating this combat zone designation has not been issued. Thus, individuals serving in the Persian Gulf Area are eligible for the suspension of time provisions and military pay exclusions (among other provisions) described above, beginning on January 17, 1991.

The Executive Order specifies that the Persian Gulf Area is the Persian Gulf, the Red Sea, the Gulf of Oman, part of the Arabian Sea, the Gulf of Aden, and the entire land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates.

The Department of Defense provides to the Internal Revenue Service, on a monthly basis, a computer tape with information regarding the military personnel whose service is in the combat zone designated by the Executive Order and who are therefore eligible for, among other provisions, the extension of time provisions of section 7508 and the exclusion from income provisions of section 112.

Operation Desert Shield: Legislative extension of time

On January 30, 1991, President Bush signed Public Law 102-2. This Act amended section 7508 by providing that any individual who performs Desert Shield services (and the spouse of such an individual) is entitled to the benefits of the suspension of time provisions of section 7508. Desert Shield services are defined as services in the Armed Forces of the United States (or in support of those Armed Forces) if such services are performed in the area designated by the President as the “Persian Gulf Desert Shield area” and such services are performed during the period beginning August 2, 1990, and ending on the date on which any portion of the area was designated by the President as a combat zone pursuant to section 112 (which was January 17, 1991).

Operation Joint Endeavor: Administrative extension of time

On December 12, 1995, the Internal Revenue Service announced² that it was administratively extending the time to file tax returns until December 15, 1996, for members of the Armed Forces “departing ‘Operation Joint Endeavor’” on or after March 1, 1996. In addition, the IRS stated that the penalties for failure to file tax returns and failure to pay taxes would not be assessed with respect to these individuals. Also, the IRS stated that it would administratively place any balance due accounts into suspense status and suspend examinations while the member is serving in “Operation Joint Endeavor.”

IRS user fees

The IRS provides written responses to questions of individuals, corporations, and organizations relating to their tax status or the effects of particular transactions for tax purposes. The IRS generally charges a fee for requests for a letter ruling, determination letter, opinion letter, or other similar ruling or determination. The Uruguay Round Agreements Act extended the IRS user fee program for five years (until October 1, 2000).

REASONS FOR CHANGE

The Committee believes that it is appropriate to apply the special tax rules applicable to combat zones to service in Bosnia and Herzegovina, Croatia, and Macedonia in the same manner as if they were a combat zone.

EXPLANATION OF PROVISIONS

Treatment of portions of former Yugoslavia as if they were a combat zone

The bill provides that a qualified hazardous duty area shall be treated in the same manner as if it were a combat zone for purposes of the following provisions of the Code:

- (1) the special rule for determining surviving spouse status where the deceased spouse was in missing status as a result of service in a combat zone (sec. 2(a)(3));
- (2) the exclusions from income for combat pay (sec. 112);
- (3) forgiveness of income taxes of members of the Armed Forces dying in the combat zone or by reason of combat-zone incurred wounds (sec. 692);
- (4) the reduction in estate taxes for members of the Armed Forces dying in the combat zone or by reason of combat-zone incurred wounds (sec. 2201);
- (5) the exemption from income tax withholding for military pay for any month in which an employee is entitled to the exclusion from income (sec. 3401(a)(1));
- (6) the exemption from the telephone excise tax for toll telephone service that originates in a combat zone (sec. 4253(d));

²Letter from John T. Lyons, Assistant Commissioner (International), Internal Revenue Service, to Lt. Col. David M. Pronchick, Armed Forces Tax Counsel, Department of Defense

(7) the special rule permitting filing of a joint return where a spouse is in missing status as a result of service in a combat zone (sec. 6013(f)(1)); and

(8) the suspension of time provisions (sec. 7508).

A qualified hazardous duty area means Bosnia and Herzegovina, Croatia, or Macedonia, if, as of the date of enactment, any member of the Armed Forces is entitled to hostile fire/imminent danger pay for services performed in such country. Members of the Armed Forces are in Bosnia and Herzegovina and Croatia as part of "Operation Joint Endeavor" (the NATO operation). Members of the Armed Forces are in Macedonia as part of "Operation Able Sentry" (the United Nations operation).

Suspension of time provisions for other Operation Joint Endeavor personnel

An individual who is performing services as part of Operation Joint Endeavor outside the United States while deployed away from the individual's permanent duty station will qualify for the suspension of time provisions in section 7508 of the Code during the period that hostile fire/imminent danger pay is paid in Bosnia and Herzegovina, Croatia, or Macedonia.

Combat pay exclusion for officers

In addition, the bill raises the dollar value of the exclusion from income for combat pay for officers in section 112 of the Code from the present-law level of \$500 per month to the highest rate of basic pay at the highest pay grade that enlisted personnel may receive plus the amount of hostile fire/imminent danger pay which the officer receives. Currently, the highest level of basic pay received by enlisted members of the Armed Forces is \$4,104.80 per month. The bill also conforms the wage withholding rules to the income exclusion rules for officers.

Extension of IRS user fees

The bill extends IRS user fees for three additional years (until October 1, 2003).

EFFECTIVE DATE

The bill generally is effective on November 21, 1995 (the date on which the Dayton Accord was initialed); the modifications to the wage withholding rules apply to remuneration paid after the date of enactment. The amendment relating to IRS user fees is effective on the date of enactment.

III. VOTES OF THE COMMITTEE

In compliance with cause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made concerning the votes of the Committee in its consideration of the bill, H.R. 2778.

Motion to report the bill

The bill, H.R. 2778, as amended, was ordered favorably reported by voice vote on February 28, 1996, with a quorum present.

Motion on substitute amendment

The Committee adopted an amendment in the nature of a substitute (offered by Chairman Archer and Mr. Gibbons) by voice vote, with a quorum present.

IV. BUDGET EFFECTS OF THE BILL**A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS**

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the bill, H.R. 2778, as reported.

The bill, as amended, is estimated to have the following effects on budget receipts for fiscal years 1996–2005:

ESTIMATED REVENUE EFFECTS OF H.R. 2778 AS AMENDED—FISCAL YEARS 1996–2005

[In Millions of Dollars]

Provision	Effective	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	1996– 2000	2001– 2005
1. Extend certain tax benefits to Armed Forces personnel serving in the former Yugoslavia; raise the monthly exclusion from income for combat pay for officers from \$500/month to the highest pay level for enlisted personnel; and conform wage withholding rule to income exclusion rule for officers	11/21/95	– 38	– 45	(¹)	.....	.....	.....	.....	.....	.....	.....	– 83	– 83
Income exclusion rule for officers	10/1/00	.....	.....	.....	.....	.....	35	35	35	.....	.....	.....	105
2. Extend IRS user fees through 9/30/03 ¹	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Net totals	.....	– 38	– 45	(²)	.....	.....	35	35	35	.....	.....	– 83	22

¹ Estimate provided by the Congressional Budget Office.

² Negligible revenue effect.

Note:—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX
EXPENDITURES

In compliance with subdivision (B) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, the Committee states that the bill, as amended, involves no new or increased budget authority. The bill, as amended, involves increased tax expenditures for the income tax benefit provisions related to combat pay (for amounts, see Part IV.A., above).

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with subdivision (C) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office (CBO), the following statement by CBO is provided.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, February 29, 1996.

Hon. BILL ARCHER,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office and the Joint Committee on Taxation (JCT) have reviewed H.R. 2778, as ordered reported by the House Committee on Ways and Means on February 28, 1996. CBO and JCT estimate that this bill would reduce revenues by \$38 million in 1996 and increase revenues by \$22 million over the fiscal years 1996 through 2005. H.R. 2778 contains no intergovernmental or private sector mandates as defined in Public Law 104-4 and would impose no direct costs on state, local, or tribal governments.

H.R. 2778 provides members of the Armed Forces performing services for the peacekeeping efforts in Bosnia and Herzegovina, Croatia, and Macedonia with certain tax benefits granted to individuals performing services in a combat zone. JCT estimates that this provision would reduce revenues by \$38 million in fiscal year 1996, \$45 million in fiscal year 1997, and by a negligible amount in fiscal year 1998. In addition, H.R. 2778 extends the expiration of IRS user fees from October 1, 2000 to October 1, 2003. CBO estimates that this provision would increase revenues by \$35 million, net of payroll and income tax offsets, in each of the fiscal years from 2001 through 2003. The revenue effects of H.R. 2778 are summarized in the table below.

REVENUE EFFECTS OF H.R. 2778

[By fiscal years, in millions of dollars]

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Extend tax benefits to soldiers in the former Yugoslavia	- 38	- 45	(¹)	0	0	0	0	0	0	0
Extend IRS Fees through 10/1/03 ...	0	0	0	0	0	35	35	35	0	0

¹ Negligible revenue effect.

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 sets up pay-as-you-go procedures for legislation af-

fecting receipts or direct spending through 1998. Because H.R. 2778 would affect receipts, pay-as-you-go procedures would apply to the bill. These effects are summarized in the table below.

PAY-AS-YOU-GO CONSIDERATION
[By fiscal years, in millions of dollars]

	1996	1997	1998
Changes in receipts	- 38	- 45	(¹)
Changes in outlays	(²)	(²)	(²)

¹ Negligible revenue effect.

² Not applicable.

If you wish further details, please feel free to contact me or your staff may wish to contact Stephanie Weiner.

Sincerely,

JUNE E. O'NEILL, *Director*.

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to subdivision (A) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was a result of the Committee's oversight activities concerning the tax treatment and tax return filing requirements of military (and support) personnel serving in "Operation Joint Endeavor" (in Bosnia and Herzegovina and Croatia) and "Operation Able Sentry" (in Macedonia), tax treatment of combat pay generally, and the need to provide a revenue offset for the bill that the Committee concluded that it is appropriate to enact the provisions contained in the bill as amended.

B. SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

With respect to subdivision (D) of clause 2(l)(3) of rule XI of the Rules of the House of Representatives, the Committee advises that no oversight findings or recommendations have been submitted to this Committee by the Committee on Government Reform and Oversight with respect to the provisions contained in the bill.

C. INFLATIONARY IMPACT STATEMENT

In compliance with clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that the provisions of the bill are not expected to have an overall inflationary impact on prices and costs in the operation of the national economy. As indicated above in Part IV of this report, the bill is projected to reduce the aggregate deficit by \$22 million over fiscal years 1996–2005.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted

is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE ACT OF 1986

Subtitle A—Income Taxes

* * * * *

CHAPTER 1—NORMAL TAXES AND SURTAXES

* * * * *

Subchapter B—Computation of Taxable Income

* * * * *

PART III—ITEMS SPECIFICALLY EXCLUDED FROM GROSS INCOME

* * * * *

SEC. 112. CERTAIN COMBAT PAY OF MEMBERS OF THE ARMED FORCES.

(a) * * *

(b) COMMISSIONED OFFICERS.—Gross income does not include so much of the compensation as does not exceed **[\$500]** *the maximum enlisted amount* received for active service as a commissioned officer in the Armed Forces of the United States for any month during any part of which such officer—

(1) served in a combat zone, or

(2) was hospitalized as a result of wounds, disease, or injury incurred while serving in a combat zone, but this paragraph shall not apply for any month beginning more than 2 years after the date of the termination of combatant activities in such zone.

With respect to service in the combat zone designated for purposes of the Vietnam conflict, paragraph (2) shall not apply to any month after January 1978.

(c) DEFINITIONS.—For purposes of this section—

(1) * * *

* * * * *

(5) *The term “maximum enlisted amount” means, for any month, the sum of—*

(A) the highest rate of basic pay payable for such month to any enlisted member of the Armed Forces of the United States at the highest pay grade applicable to enlisted members, and

(B) in the case of an officer entitled to special pay under section 310 of title 37, United States Code, for such month, the amount of such special pay payable to such officer for such month.

* * * * *

Subtitle C—Employment Taxes

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CHAPTER 24—COLLECTION OF INCOME TAX AT SOURCE ON WAGES

* * * * *

SEC. 3401. DEFINITIONS.

(a) **WAGES.**—For purposes of this chapter, the term “wages” means all remuneration (other than fees paid to a public official) for services performed by an employee for his employer, including the cash value of all remuneration (including benefits) paid in any medium other than cash; except that such term shall not include remuneration paid—

(1) for active service performed in a month for which such employee is entitled to the benefits of section 112 (relating to certain combat pay of members of the Armed Forces of the United States) *to the extent remuneration for such service is excludable from gross income under such section; or*

* * * * *

SECTION 10511 OF THE INTERNAL REVENUE ACT OF 1987

SEC. 10511. FEES FOR REQUESTS FOR RULING, DETERMINATION, AND SIMILAR LETTERS.

(a) * * *

* * * * *

(c) **APPLICATION OF SECTION.**—Subsection (a) shall apply with respect to requests made on or after the 1st day of the second calendar month beginning after the date of the enactment of this Act and before September 30, 1990. Subsection (a) shall also apply with respect to requests made after September 30, 1990, and before October 1, [2000] 2003.